

**Exhibit 1**

**BEST AVAILABLE COPY**

Chuck Jarrett  
10:53 AM

To: Lynn Major@Progressive, Kathy Kuhlman@PROGRESSIVE, Dane Shrallow@PROGRESSIVE  
cc:  
Subject: Re: Economics of for Concierge Service

fyi the memo I sent in December to Tom King re Concierge. Forwarded by Chuck Jarrett on  
10:54 AM

Chuck Jarrett  
02:44 PM

To: Chuck Jarrett@Progressive  
cc:  
Subject: Re: Economics of for Concierge Service

Forwarded by Chuck Jarrett on 02:46 PM

Chuck Jarrett  
11:16 AM

To: Tom King@PROGRESSIVE  
cc: Brian Passall@PROGRESSIVE  
Subject: Re: Economics of for Concierge Service

You have asked for comment on any particular legal or contractual issues that need to be addressed early on for the new physical damage claims model. There are several legal/contractual issues that may not have arisen in the past with our current model, but none that are insurmountable.

#### REAL ESTATE

As a potential property owner of the types of property described, there are certain legal issues that probably have not raised significant concerns with Claims property decisions in the past. Beyond the normal real estate issues regarding obtaining clear title and avoiding any zoning hurdles, environmental issues become more significant. Environmental assessments of potential existing latent issues as well as obtaining prior property owner indemnification (with financial backing) can be very important for properties where vehicles were stored and/or repaired in the past. There is potential joint and several liability to all owners in the chain of title for environmental clean ups which cannot be eliminated by contract language alone (i.e., your contractual protection is only as good as the other party's assets). On a going forward basis, we will also need to make sure that our employees comply with all environmental disposal laws for any waste products collected on our sites.

#### REPAIR SHOP ISSUES

Because we are inserting ourselves between the consumer and the shops, there are additional issues regarding the repair process. Obviously consent for the repair needs to be obtained (which is currently being done). We need to add to that a release for any loss or damage to personal effects not taken by the auto owner with them. When and how after market part disclosures will be made needs to be addressed. Potential direct repair program/steering statutes need to be researched in applicable states as this program is rolled out.

We also probably need to make sure that the shops are complying with their obligations regarding repair/part record keeping and invoicing and consumer estimates if any are given. To that end we need to insist that all shops sign a written contract that is yet to be drafted, outlining the obligations of being a shop in this yet-to-be-named system. We will need access to their records to assure ourselves they are fulfilling their end of the bargain. We also should insist on indemnification and hold harmless agreements for the consequences of any faulty repairs backed by some serious insurance limits, evidenced by certificates of insurance showing us as an additional named insured.

We are warranting the repairs of the shops which raises additional issues that should be looked into to ensure that we have at least effectively limited our liability to a known acceptable level.

#### MISCELLANEOUS

There are additional issues regarding our role as a concessionaire for Enterprise rental cars that need to be looked into. Finally, once we make an ultimate decision on a preferred name for this program to connote the new level of service (the last I heard "Concierge" was out), we should do trademark/service mark clearance checks and registrations.

I hope this is what you had in mind. Please call me if you would like further clarification.

CEJ

Tom King

Tom King

01:57 PM

To: Al Neis@PROGRESSIVE, James Kusmer@Progressive, Chuck Jarrett@Progressive, Sara Stehlik@PROGRESSIVE, Kim Price@PROGRESSIVE, Tim Cercella@PROGRESSIVE  
cc: Trish Rouru@PROGRESSIVE, Beth A. Toth@PROGRESSIVE, Steven Gellen@PROGRESSIVE, William Church@PROGRESSIVE  
Subject: Economics of for Concierge Service

I write to ask for your counsel to help me think through the economics of our new physical damage claims model. If this memo duplicates work you've already been asked to do, I'm sorry.

Steve Gellen is leading a team to develop a template for how claims offices may be configured in the future. We have early evidence which suggests this approach -- labeled "concierge" -- is a winner. The system basically works like this:

- a customer brings a damaged vehicle to a Progressive facility
- a Progressive employee hands over keys to a rental car, and the customer leaves after ten minutes
- an adjuster inspects the vehicle, writes an estimate and finds a body shop to work on the car
- the body shop takes the car, repairs it, and returns the car to the Progressive facility
- the customer returns the rental car and takes back his own car from our own facility

My contribution to this effort is to help us think through the economics of this endeavor. Without any facts, here are my assumptions:

- 1.) we will build a facility in each of our 40 largest urban markets
- 2.) each facility will have an acre of land for parking and storage
- 3.) each facility will have a 20,000 square foot building; half will be a Jiffy-Lube type series of bays where cars are pulled in and the balance will be 10,000 square feet of claims office space for adjusters, inside reps and other. About 65 people would work at each facility

4.) the facility would be near a rental car operation, and within reasonable proximity to where people live and work.

These assumptions will be revised when I learn more.



Here is an early spreadsheet: Cba.wk4

Here is what I ask:

Al Neis — Please help me think through the assumptions about the volume of physical damage claims we would have countrywide.

Jim Kusmer — What are the tax implications for making this investment?

Chuck Jarrett — Any legal or contract concerns that come to mind that we need to address early on?

Sara Stehlik — What kinds of risk management exposures do we have?

Kim Price — How do I construct my model so that it ties to your simulation work?

Tim Cercelle — What compliance issues do we have with licensing or other trade practices?